

Glossary

The Annual Budget Document contains specialized and technical terminology and acronyms that are unique to public finance and budgeting. To assist the reader of the Annual Budget Document in understanding these terms and acronyms, a budget glossary has been included.

Terms

Abatement – a complete or partial cancellation of a tax levy imposed by a government.

Accrual Accounting – A basis of accounting that utilizes a current financial resource measurement focus thereby recognizing revenue as it is earned and realizable and recognizing expenditures when they are incurred.

Alternate Revenue Bonds – General obligation bonds that, rather than being repaid by Village-wide property taxes, are retired by a specifically pledged revenue stream.

Amortization – Gradual reduction, redemption, or liquidation of the balance of an account according to a specified schedule of times and amounts. Also, a provision for the extinguishment of a debt by means of a Debt Service Fund.

Appropriation – A legal authorization granted by a legislative body (the Village Board) to make expenditures or incur obligations for specific purposes. An appropriation is usually limited in amount and in the time in which it may be expended.

Assessed Valuation – A valuation set upon real estate by the Township Assessor and Supervisor of Assessments as a basis for levying real estate taxes.

Assets – Property owned by a government that can be converted to a monetary value.

Balanced Budget – A budget in which the expenditures incurred during a period are matched by revenues.

Bond – A written promise to pay (debt) a specified sum of money (principal) at a specified future date (maturity date) along with periodic interest paid at a specified percentage of the principal (interest rate). Bonds are typically used for long-term debt. When a government pledges its full faith and credit to the repayment of the bonds it issues, then these are known as general obligation bonds. Bonds with principal and interest that are payable exclusively from the earnings of an Enterprise Fund are known as revenue bonds.

Budget – Plan of financial operation, embodying an estimate of proposed expenditures for a given period and the proposed revenue estimates of financing them. Used without qualification, the term usually indicates a financial plan for a single fiscal year.

Budget Calendar – The schedule of key dates or milestones that Village departments follow in the preparation, adoption and administration of the budget.

Budget Document – The official written document prepared by the Finance Department that presents the Operating Budget to the legislative body. The document includes written summaries, schedules of revenues, expenditures, and transfers, and charts and graphs to ease the understanding of the effect of the Operating Budget on the Village's financial condition.

Capital Improvement Program – Plan for capital expenditures to be incurred each year over a fixed period of several future years, setting forth each capital project, identifying its expected beginning and ending date, the amount to be expended in each year, and the method of financing those expenditures.

Capital Equipment – Expenditures for the acquisition of capital assets, i.e., operating equipment, office equipment.

Capital Projects – Projects involving the purchase or construction of capital assets. Typically a capital project encompasses a purchase of land and/or the construction of a building or facility.

Cash Basis Accounting – A basis of accounting in which transactions are recorded when cash is either received or expended for goods and services.

Cash Management – The management of cash necessary to pay for government services while investing temporary cash excesses in order to earn interest revenue. Cash management refers to the activities of forecasting the inflows and outflows of cash, mobilizing cash to improve its availability for investment, establishing and maintaining banking relationships, and investing funds in order to achieve the highest interest and return available for temporary cash balances.

Contingency Account – A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted for.

Debt Service – The Village's obligation to pay for the principal and interest of all bonds and other debt instruments according to a predetermined payment schedule.

Debt Service Funds – Funds created to pay for the principal and interest of all bonds and other debt instruments according to a predetermined schedule.

Deficit – The excess of expenditures over revenues during an accounting period.

Depreciation – The process of estimating and recording the lost usefulness, expired useful life or diminution of service from a fixed asset that cannot or will not be restored by repair and will be replaced. The cost of the fixed asset's lost usefulness is the depreciation or the cost to reserve in order to replace the item at the end of its useful life.

Eliminations – When funds are consolidated, transactions between funds are eliminated in order to eliminate double accounting.

Encumbrance – The commitment of appropriated funds to purchase an item or service. To encumber funds means to set aside or commit funds for future expenditures.

Enterprise Fund – A fund established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Village Board is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, i.e., water utility.

Equalized Assessed Valuation – The Board of Review, on a county basis, reviews assessed valuation of all townships and may assign multipliers to equalize assessed valuations from township to township. If necessary, the State will then assign multipliers for counties in order that all property will be assessed at 33 1/3 percent of market value.

Expenditure – This term refers to the outflow of funds paid or to be paid for an asset obtained or goods and services obtained regardless of when the expense is actually paid. This term applies to all funds. Note: an encumbrance is not an expenditure. An encumbrance reserves funds to be expended.

Fiduciary Funds – Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs.

Fiscal Year – A twelve-month period that the annual operating budget applies at the end of which a determination of financial position and results of operations is carried out by the government.

Fixed Assets – Assets of long-term character that are intended to continue to be held or used, such as land, buildings, machinery, furniture and other equipment.

Full Faith and Credit – A pledge of the general taxing power of a government to repay debt obligations (typically used in reference to bonds).

Fund – A budgetary and accounting entity that is segregated from other funds for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Fund Balance – The fund equity of governmental funds and trust funds (excess of assets over liabilities).

General Fund – The fund used to account for all activities of a government except those required to be accounted for in another fund.

General Obligation Bond – Bonds that have the full faith and credit of the issuing government or agency to be used or expended for a specified purpose or activity.

Governmental Funds – Funds generally used to account for tax-supported activities.

Grant – A contribution of assets (usually cash) by one governmental unit or other organization to another. Typically, these contributions are made to local governments from the state and federal governments. Grants are usually made for a specified purpose.

Intergovernmental Revenues – Revenues from other governments in the form of grants, entitlements, shared revenues or payments in lieu of taxes.

Investment – Securities and real estate purchased and held for the production of income in the form of interest, dividends, rentals or base payments.

Line-Item Budget – A budget that lists each expenditure category separately, along with the dollar amount budgeted for each specified category.

Liquidity – Available cash or the capacity to obtain it on demand.

Long-Term Debt – Debt with a maturity of more than one year after the date of issuance.

Modified Accrual Accounting – A basis of accounting in which expenditures are accrued but revenues are accounted for on a cash basis. This accounting technique is a combination of cash and accrual accounting since expenditures are immediately incurred as a liability while revenues are not recorded until they are received or are “measurable” and available for expenditure. Since this type of accounting basis is a conservative financial approach, it is recommended as the standard for most governmental funds.

Obligations – Amounts that a government may be required legally to meet out of its resources. They include not only actual liabilities, but also unliquidated encumbrances.

Operating Budget – The authorized revenues and expenditures for on-going municipal services and is the primary means by which government is controlled. The life span of an operating budget typically is one year or less. The use of annual operating budgets is usually required by law.

Ordinance – A formal legislative enactment by the governing board of a municipality. If it is not in conflict with any higher form of law, such as state statute, it has the full force and effect of the law within the boundaries of the municipality to which it applies.

Property Tax – Property taxes are levied on real property according to the property’s valuation and the tax rate.

Rating – The credit worthiness of a Village as evaluated by independent agencies.

Requisition – A written demand or request, usually from one department, to the purchasing office to another department for specific articles or services.

Reserve – An account used to indicate that a portion of a fund’s balance is legally restricted for a specific purpose and is, therefore, not available for general appropriation.

Revenue – funds that the government receives as income. It includes such items as tax payments, fees from specific services, receipts from other governments, fines, forfeitures, grants, shared revenues and interest income.

Revenue Bonds – Bonds usually sold for constructing a project that will produce revenue for the government. The revenue is used to pay the principal and interest of the bond.

Risk Management – An organized attempt to protect a government's assets against accidental loss in the most economical method.

Rule of Conservatism - Accounting conservatism will recognize all probable losses as they are discovered and most expenditures as they are incurred. Having strict revenue-recognition criteria is one of the most common forms of accounting conservatism. Revenues are reported ultra conservative to allow for any unforeseeable changes in the economy or collections.

Securities – Bonds, notes, mortgages, or other forms of negotiable or non-negotiable instruments.

Surplus – An excess of the assets of a fund over its liabilities and reserves.

Tax Anticipation Notes – Notes issued in anticipation of collection of taxes and retired from the proceeds of the tax levy whose collection they anticipate.

Tax Levy – The total amount to be raised by general property taxes for purposes specified in the Tax Levy Ordinance.

Tax Rate – The amount of tax levied for each \$100 of equalized assessed valuation. The tax rate times equalized assessed valuation equals the tax levy.

Transfers In/Out – A legally authorized funding transfer between funds in which one fund is responsible for the initial receipt and the other fund is responsible for the actual disbursement.

Transmittal Letter – The opening section of the budget provides the Village Board with a general summary of the most important aspects of the budget, changes from the current and previous fiscal years, and the objectives and assumptions that provide guidance to the development of the budget.

User Charges – The payment of a fee for direct receipt of a public service by the party benefiting from the service.

Acronyms

APT – Association of Public Treasurers

CAFR – Comprehensive Annual Financial Report

CFIM – Certified Financial Investment Manager

CIMT – Certified Illinois Municipal Treasurer

COW – Committee of the Whole

EAV – Equalized Assessed Value

EMS – Emergency Management Service

GAAP – Generally Accepted Accounting Principals

GASB – Governmental Accounting Standards Board

GF – General Fund

GFOA – Government Finance Officers Association

GIS – Geographical Information systems

HR – Human Resources

IDOT – Illinois Department of Transportation

IEPA – Illinois Environmental Protection Agency

IGA – Intergovernmental Agreement

IGFOA – Illinois Governmental Finance Officer's Association

IMRF – Illinois Municipal Retirement Fund

IMTA – Illinois Municipal Treasurer's Association

MFT – Motor Fuel Tax

NWP – North Water Project

VOW – Village of Wauconda

W/S – Water/Sewer